

# Is ESG a game changer in bank financing?

Poseidon Principles are a prime example of how ESG is reshaping bank lending in the maritime industry.

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17 September 2020

# ESG HAS COMPLETELY TRANSFORMED BANK FINANCE IN THE MARITIME SECTOR

## ESG factors affecting the maritime industry – Main challenges:

- Significant environmental impact
- Vast regulation
- Large number of stakeholders
- Sizeable capital expenditure
- Technology
- Data adequacy and integrity

## Joining of forces of main stakeholders towards a greener future for the maritime industry

- Regulators
- Financial institutions
- Ship owners
- Registration societies, flags etc



A  
common  
goal

# THE POSEIDON PRINCIPLES

# ESG HAS COMPLETELY TRANSFORMED BANK FINANCE IN THE MARITIME SECTOR

- WHEN** 18 JUNE 2019
- WHO** 11 leading banks
- WHAT** Aligning ship finance with society's goals

## The Poseidon Principles



# THE POSEIDON PRINCIPLES

*'We will **annually assess climate alignment** in line with the Technical Guidance for all Business Activities'.*

Assessment

*We recognize the important role that classification societies and other IMO-Recognized Organizations ("RO") play in providing unbiased information to the industry and the mandatory regulation established by the IMO for the data collection and reporting of fuel oil consumption from ships, (the "IMO DCS"). We will **rely on** such entities and **mandatory regulations** as explicitly identified in the Technical Guidance **for the provision of information** used to assess and report on climate alignment.*

Accountability

*'We will require that ongoing compliance with the Poseidon Principles is made **contractual in our new Business Activities** using standardized covenant clauses. We will contribute to the update and addition of standardized clauses through the annual review process'.*

Enforcement

*'We will **publicly acknowledge** that we are a Signatory of the Poseidon Principles and we will **publish the results** of the portfolio climate alignment score of our Business Activities on an annual basis in line with the Technical Guidance'.*

Transparency

THE POSEIDON PRINCIPLES:  
AN EXAMPLE WHERE ESG HAS COMPLETELY TRANSFORMED BANK  
FINANCE IN THE MARITIME SECTOR

The signatories have risen to 18 (initially 11), now representing USD 150bn in shipping finance



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Export Credit Norway



Sparebanken  
Vest



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### Key messages...

- ESG factors become increasingly more important.
- ESG factors can drive funding decisions in the near future.
- Banks will isolate players who chose to ignore ESG.
- ESG factors will affect bottom line, liquidity and going concern.

## THE POSEIDON PRINCIPLES: AN EXAMPLE WHERE ESG HAS COMPLETELY TRANSFORMED BANK FINANCE IN THE MARITIME SECTOR

### Way forward...

- 'Governance-driven' as opposed to 'Compliance-driven'.
- No 'ticking the box'
- No 'one size fits all'
- A potential need to re-think processes and procedures.

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